

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **May 14, 2002**

AGENDA ITEM NO.: **5**

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Derelict Structures Grant Application and Loan**

RECOMMENDATION:

To accept amendment to original application and authorize a forgivable loan to RiverStreet Development, LLC. to assist in the redevelopment of the Norfolk and Western Freight Terminal/Depot located at 10 Ninth Street.

SUMMARY:

In February 2001, the City was informed by the Virginia Department of Housing and Community Development (DHCD) that it had been successful in its application for a \$100,000 Virginia Derelict Structures Grant to be used for repairs to vacant City-owned structures in the downtown/riverfront area. One of the stipulations of the grant is a local match of \$100,000. We had intended to use downtown/riverfront CIP funds as the match. The original application indicated that the City would carry out roof repairs to the buildings on Main Street known as the James T. Davis, the Old Tobacco Warehouse, the Piggly Wiggly, and the Pride of Virginia. Since the time of application however, the City sold one of its other riverfront properties, at 10 Ninth Street, known as the Norfolk and Western Freight Depot (N&W Depot) to RiverStreet Development. In lieu of using limited CIP funds to repair the roofs on the aforementioned buildings, staff asked DHCD if the grant funds could instead go toward the N&W Depot and the local match be provided by the private owner (RiverStreet Development). Staff believes that it is more beneficial to downtown/riverfront revitalization to see a building renovated and occupied, as in the case of the N&W Depot, rather than simply repaired, as in the case of the Main Street buildings.

By copy of the attached letter from the DHCD, this amendment has been confirmed assuming City Council's approval on May 14th. The attached letter also provides explanation of the DHCD's position as it relates to funding private properties since the property was purchased by RiverStreet Development, LLC. The State's position is that the "grantee locality may provide funds to privately-owned sites as a loan from the locality to the owner, under terms to be set by the locality and agreed upon by DHCD".

The funds will be used to reimburse the developer for the building acquisition and renovation expenses. These are considered eligible expenses for reimbursement from the grant award. The terms of the loan are at a zero percent interest and will be considered forgivable provided at least \$100,000 of eligible work has been completed and documented. Rehabilitation of the building does not need to be complete before funds are released to the locality. Nor is occupancy of the building a required condition of the grant award.

One of the original requirements of the DHCD grant was a construction deadline of December 2001. Given the change of events, DHCD agreed to extend the deadline to Spring 2002. Therefore, if the grant is not awarded to RiverStreet Development by Spring 2002, the City will be forced to forfeit the grant funds.

The City will receive the grant award once it has been approved by City Council and the appropriate documents have been signed. The City is not advancing any money to the developer until grant proceeds have been approved and received from DHCD. The developer will be paid from the funding provided for by DHCD. The City is not obligated to return the Derelict Structures funds to DHCD once at least \$100,000 of eligible work has been completed and documented.

PRIOR ACTION(S):

August 8, 2000 – City Council approval of grant application

FISCAL IMPACT:

None. This is a forgivable loan in the amount of \$100,000 to the developer.

CONTACT(S):

Rachel Flynn – 847-1435 – Ext. 253

Keith Wright – 847-1671 – Ext. 255

ATTACHMENT(S):

1. Resolution
2. Council report dated August 8, 2000
3. Letter from Community Planning and Development requesting amendment
4. Letter from DHCD confirming amendment request
5. Draft loan agreement

REVIEWED BY:

Resolution:

BE IT RESOLVED That \$100,000 is hereby appropriated to the City/Federal/State Aid Projects Fund, with full reimbursement from the Virginia Department of Housing and Community Development Derelict Structures Grant Fund Program, for the rehabilitation of the Norfolk and Western Freight Terminal/Depot; and

BE IT FURTHER RESOLVED That \$100,000 is hereby approved to be provided to RiverStreet Development, LLC., as a forgivable loan; and

BE IT FURTHER RESOLVED That the City Manager is hereby authorized to execute all appropriate documents for this project.

Introduced:

Adopted:

Certified:

Clerk of Council

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LOAN AGREEMENT

This Loan Agreement made and entered into this ____ day of _____, 2002 by and between the CITY OF LYNCHBURG, a municipal corporation of the Commonwealth of Virginia ("City") and RIVERSTREET DEVELOPMENT, L.L.C., a limited liability company of the Commonwealth of Virginia ("Borrower").

W I T N E S S E T H :

WHEREAS, the City seeks to encourage the rehabilitation of structures in the downtown area;

WHEREAS, the Borrower had recently acquired a structure commonly known as the Norfolk and Western Freight Terminal, also referred to as the Norfolk and Western Freight Depot, and located at number 10 Ninth Street ("Structure") from the City pursuant to a Bill of Sale of Improvements made and entered into December 19, 2001; and

WHEREAS, the Structure is on property identified on the City of Lynchburg tax map as parcel number _____, which property and Structure was conveyed from the City to the Borrower pursuant to a Deed made and entered into _____; and

WHEREAS, the Borrower acquired this Structure and the City conveyed this Structure so the Borrower could rehabilitate Structure, including interior and exterior renovations and repairs to the roof; and

WHEREAS, following the rehabilitation of the Structure, the Borrower proposes a restaurant for the first floor of the Structure and professional office

space for use by Craddock-Cunningham Architectural Partners for the second floor of the Structure; and

WHEREAS, the City has applied for a grant through the Derelict Structures Fund in an amount up to \$100,000 from the Virginia Department of Housing and Community Development (“VDHCD”) to assist with the rehabilitation of this Structure (the “Grant”); and

WHEREAS, the City desires to utilize the Grant to provide the Borrower with an interest free loan that does not require repayment provided at least \$100,000 of eligible work on the Structure has been completed and documented; and

WHEREAS, the Borrower and the City currently believe that the cost for the necessary rehabilitation of the Structure will be in excess of \$750,000; and

WHEREAS, the City would like the Borrower to receive an interest free and forgivable loan in an amount up to \$100,000 for the purpose of defraying the costs associated with rehabilitation of the Structure.

NOW, THEREFORE, for and in consideration of the foregoing statements, which the parties agree are accurate, and the mutual covenants and agreements contained herein, the parties do mutually agree as follows:

1. Provided the City receives the grant from the VDHCD, which is necessary in order for the City to have the funds to distribute to the Borrower pursuant to this Agreement, the City shall upon presentation from the Borrower of invoices for work performed in rehabilitating this Structure, upon verification that said work has been performed and upon approval by the VDHCD , provide the

Borrower with a no interest loan in the amount of the invoices presented up to \$100,000.

2. Borrower shall make at least \$100,000 of necessary repairs and/or improvements to the Structure to rehabilitate the Structure. Borrower shall ensure that all necessary repairs and/or improvements and rehabilitation of the Structure are completed to the satisfaction of the Department of Community Planning and Development.

3. The Borrower shall use the \$100,000 interest free loan from the City only for the purpose of defraying the costs associated with the rehabilitation of the Structure.

4. Borrower may not sell the Structure and the land surrounding the Structure that the Borrower owns until this loan has been forgiven or repaid.

5. In the event of default by the Borrower of any of the terms and conditions of this Agreement, Borrower shall immediately pay to the City the amount the Borrower has received from the City pursuant to this Agreement.

6. Borrower shall be responsible for paying the taxes, if any, owing as a result of receiving this no interest loan.

7. Provided that the City and VDHCH determine that at least \$100,000 of eligible work has been completed, the City shall forgive the repayment of this loan.

IN WITNESS WHEREOF, the parties have caused this Loan Agreement to be executed as of the day and year written above.

RIVERSTREET DEVELOPMENT, L.L.C.

By: _____ (SEAL)

_____ (Print Name)

Its: _____

Attest:

_____(Print Name)
Its: _____

CITY OF LYNCHBURG

By: _____ (SEAL)

L. Kimball Payne, III,
City Manager

Attest:

Patricia W. Kost,
Clerk of Council